Annual Report 1971

Power Corporation of Canada, Limited

Martin
Lynch

Financial Highlights

	1971	1970	1969
Gross earnings	$ 13,712,105	$ 14,299,062	$ 15,257,411
Management expenses	925,994	1,484,943	1,610,491
Interest expense	2,762,143	3,113,814	3,279,806
Consolidated earnings for the year	10,023,968	9,700,305	10,367,114
Dividends on non-participating preferred shares	4,013,004	4,016,448	4,029,785
Earnings per 6% participating preferred and common share	52.8¢	53.5¢	85.7¢
Dividends per 6% participating preferred share	30¢	33¢	44¢
Dividends per common share	5¢	33¢	44¢
Average number of 6% participating preferred and common shares outstanding	11,390,153	10,624,347	7,393,150
Number of shareholders	20,981	21,763	17,310

Head Office
1 Place Ville Marie, Montreal, Quebec

Transfer Agents & Registrars
Montreal Trust Company, Montreal, Toronto, Calgary, Vancouver

Stock Listings
Common Shares:
Montreal, Toronto, Vancouver and London, England Stock Exchanges
Participating Preferred Shares:
Canadian Stock Exchange
Convertible Preferred Shares:
Montreal and Toronto Stock Exchanges
First Preferred Shares:
Montreal and Toronto Stock Exchanges

Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire.

Power Corporation of Canada, Limited

Board of Directors

* *Wilbrod Bhérer, Q.C.
Chairman, Canadian Vickers Limited

Robert Campeau
President, Campeau Corporation Limited

* *Alfredo Campo
Chairman of the Board, Petrofina Canada Ltd.

* *Peter D. Curry
Chairman of the Board, The Investors Group

*Paul Desmarais
Chairman and Chief Executive Officer of the Company

Jean-Paul Gignac
President, Sidbec

Claude Hébert
President, Warnock Hersey International Limited

*W. Earle McLaughlin
Chairman and President, The Royal Bank of Canada

*A. D. Nesbitt
Chairman, Nesbitt, Thomson and Company, Limited

Paul B. Paine, Q.C.
Executive Vice-President and General Counsel of the Company

*Jean Parisien, C.A.
President of the Company

J. M. Seabrook
Chairman and President, International Utilities Corporation

Arthur Simard, Q.C.
Chairman, Marine Industries Limited

*Robert Scrivener
President, Bell Canada

*P. N. Thomson
Deputy Chairman of the Company

*W. I. M. Turner, Jr.
President, Consolidated-Bathurst Limited

*Members of the Executive Committee
* *Members of the Audit Committee

Honorary Directors

R. R. Moodie

Jas. B. Woodyatt

Officers

Paul Desmarais
Chairman and Chief Executive Officer

Peter N. Thomson
Deputy Chairman

Jean Parisien, C.A.
President

Paul B. Paine, Q.C.
Executive Vice-President and General Counsel

W. G. E. Lannaman, C.A.
Vice-President and Secretary

A. F. Knowles, C.A.
Vice-President and Treasurer

C. Bruneau
Vice-President

C. C. Frenette
Vice-President

Paul E. Martin
Vice-President

Directors' Report

General Comments

Your Directors are pleased to submit the Company's forty-seventh annual report together with the consolidated financial statements for the year ended December 31, 1971.

The consolidated financial statements include the accounts of the Company's wholly-owned investment subsidiaries and Power's share of the earnings (before extraordinary items) of the operating companies in which Power has more than 50% of the voting shares. During the year 1971, The Imperial Life Assurance Company of Canada developed accounting procedures which now enable it to report its earnings for the year on a per share basis. Power has therefore taken up its share of the earnings in respect of the year 1971 and has also adjusted the retained earnings account in respect of the earnings, less dividends received, from the date of acquisition of control. The earnings of Canada Steamship Lines, Limited have been included in income to the extent of our proportionate share based on our percentage of ownership during the course of the year. The accounts have not been fully consolidated as our ownership was limited to 50.4% until December 16, 1971, when we acquired a further 48.7% under the terms of our offer to the common shareholders of that company.

The consolidated net earnings attributable to the common and participating preferred shares amounted to $6,010,964, equal to 52.8 cents per share compared with 53.5 cents per share in 1970. During the year dividends of 30 cents per participating preferred share and 5 cents per common share were paid.

On November 1, 1971, the Company offered to purchase the common shares of Canada Steamship Lines, Limited not then owned by it for $40 per share. The shares tendered on or before the expiry date of the offer, March 3, 1972, have been taken up and paid for in accordance with the terms of the offer and in consequence on that date the Company owned 3,026,985 common shares, equal to 99.6% of the number of such shares outstanding.

On March 8, 1972, the Company initiated proceedings pursuant to Section 136 of the Canada Corporations Act to acquire the small balance of the outstanding shares which it does not presently own.

The funds required to finance this acquisition were obtained by way of a secured term bank loan which may be repaid at any time.

During 1971 we sold our interest in American District Telegraph Company. In addition, the notes of Warnock Hersey International Limited of $2.4 million and Gesca Ltée. of $3.5 million were prepaid. The proceeds of these transactions were applied to the reduction of short term debt.

Consolidated-Bathurst Limited, 36.5% of whose common shares we own, incurred an operating loss of $0.45 per common share after provision for preferred dividends but before charging extraordinary items. This compares with a loss of $0.26 per common share in 1970.

Additionally, that company made provision in its accounts for $49.9 million as an extraordinary charge to write off its investment in Bulkley Valley Forest Industries Limited, and to provide for contingent obligations associated with that divestment as well as for the non-recurring charges and losses that may be incurred in the sale or curtailment of the United States tissue operations, the reduction in value of its investment in Rolland Paper Company Limited and the phase out of certain unprofitable manufacturing and converting operations.

Operating results were affected by reduced sales volume and increased operating costs together with the continuing and substantial adverse effect of the unpegging of the Canadian dollar which occurred in 1970.

Consolidated-Bathurst Limited continued its efforts to reduce manufacturing and administrative overheads while maintaining capital expenditures at a minimum level consistent with sound management of its facilities. This policy, together with stringent controls on accounts receivable and inventory levels, has enabled the company to keep the reduction in its working capital to a minimum. The year 1972 will continue to present difficulties but it is expected that the steps taken to better performance will be reflected in an improved level of operating results.

Our investment in Gesca Ltée., represented by an income debenture maturing December 1, 2020, ensures that any increase or decrease in the equity of Gesca (which owns all the shares of La Presse Ltée. as well as 62.2% of the shares of Trans-Canada Newspapers Ltd.) is reflected in the accounts of our Company.

The 1971 operating results of Gesca's major holding, La Presse Ltée., were seriously disrupted by labour disturbances which culminated in a cessation of publication in the latter part of the year. Losses resulting from the work stoppage more than offset the profits realized during the earlier part of the year. The labour dispute was settled and publication resumed in February of this year. It is anticipated that satisfactory results will be achieved in 1972.

Trans-Canada Newspapers Ltd. continued to operate profitably in 1971 as it is expected to do in the current year.

Operating Subsidiaries

As each of the companies referred to below issues its own annual report we have limited ourselves to brief comments upon their activities of the past year. However, because of the material nature of our increased interest in Canada Steamship Lines, Limited, we are forwarding its annual report to all our shareholders. The annual reports of the other companies may be obtained upon request directed to the Secretary of the Company.

Canada Steamship Lines, Limited

Earnings per share of Canada Steamship Lines, Limited for the year were $3.39 in comparison with $2.73 (restated) in 1970. It is to be noted that the earnings for 1971 include an amount of $455,000, equivalent to $0.15 per common share, which results from a change in accounting policy with respect to vessels sold.

As the Annual Report of this major subsidiary is enclosed herewith, it appears unnecessary to add comments concerning its 1971 activities.

It is expected that 1972 will see a continuation of the satisfactory overall results that have been achieved in 1971.

Dominion Glass Company Limited

The progress in the operating results of this subsidiary was seriously disrupted during the year by lengthy strikes at its four eastern glass container plants. The resulting loss of production and shipments, together with major cost penalties involved in the shut-down and subsequent start-up period resulted in a loss for the year of $0.68 per common share, compared with earnings of $1.20 per share in the prior year.

The regular dividends of $0.70 were paid on the preferred shares in 1971 and dividends on the common shares were paid at the rate of $0.10 quarterly. Because of the losses incurred during the year, the Directors determined to omit the common dividend normally payable March 31, 1972, pointing out that dividend policy will be reviewed regularly as 1972 operating results become available.

While some reduction has been experienced in the market for soft drink containers because of the confused situation in British Columbia and Alberta arising from legislation placing mandatory refunds on non-refillable glass, metal and plastic beverage containers, the demand for the company's products is expected to continue to be strong. Aided by the anticipated continued strengthening in the Canadian economy in 1972, the company expects to return to profitable growth.

The Investors Group

After providing for preferred dividends, The Investors Group earned $0.63 per common and common Class "A" share as against $0.48 in the previous year.

This substantial increase results from more favourable management and distribution operations, and improved earnings of The Great-West Life Assurance Company. While mutual fund sales continued at a relatively modest level, improved market performance caused the overall value of the assets administered by the company to rise substantially. The earnings of The Great-West Life Assurance Company increased to $4.26 per share from $3.05 per share in 1970. Sales of new life insurance and annuity business amounted to $1.8 billion in 1971 and insurance in force now amounts to $14.0 billion.

The year 1972 should show a further increase in assets under administration as a consequence of the expected continued improvement in economic activity, both in Canada and the United States.

The Imperial Life Assurance Company of Canada

This subsidiary enjoyed very satisfactory growth during 1971. Imperial's volume of new life insurance and annuity business amounted to $469.6 million, which included a record of $384 million on individual lives. Insurance in force at year-end amounted to $3.3 billion compared with $3.1 billion at the end of 1970.

The company paid dividends of $5.10 per share, up from $4.80 in each of the two prior years.

The company, during the course of 1971, developed accounting procedures which now enable it to report annual earnings on a per share basis. The earnings per share for 1971 were $22.86, compared with $4.40 in 1970 and $14.97 in 1969. The company has pointed out that wide fluctuations in earnings will occur from year to year because they are greatly influenced by claims experience and the level of net profit in security transactions.

Laurentide Financial Corporation Ltd.

Laurentide Financial Corporation Ltd. earned $1.24 per common share (before extraordinary items) in 1971, compared with 76 cents in 1970.

The continued lower cost of borrowed money contributed significantly to the increase in earnings. The benefits of the reduction in the income tax rate from July 1, 1971 were approximately offset by an accounting change involving the method of taking into income the acquisition fee on all finance receivables other than consumer loans. Gross receivables increased by $16.0 million to $272.5 million despite uncertainties in the commercial and industrial markets as well as keener competition in the consumer loan field.

The company, together with BankAmerica Corporation of San Francisco, formed North Continent Capital Ltd. in the latter part of 1971. The new company, of which Laurentide Financial Corporation Ltd. owns 51%, will provide funds for a complete range of large purchase credit, loan and lease transactions.

Dividends were paid on the common shares at the rate of 5 cents quarterly, together with an extra dividend of 10 cents in December, 1971. A dividend was declared on the common shares for the quarter ending March 31, 1972 of 10 cents and it was indicated that this quarterly rate will be maintained in 1972.

The outlook for 1972 is encouraging as continued strengthening of consumer and industrial demand should provide an expanding market for the company's financial services.

Auditors' Report

Campeau Corporation Limited
The 1971 earnings of Campeau Corporation Limited were $0.25 per common share, marginally up from $0.23 in the prior year. During the year this company completed Phase II of the Place de Ville project in Ottawa, Canada, and arranged long-term financing for that project.

Campeau Corporation Limited has proposed and your Company has agreed to place before the shareholders of Campeau Corporation Limited a Plan of Arrangement pursuant to Section 193 of The Business Corporations Act (Ontario), under which your Company will surrender its holding of 6,287,180 common shares of Campeau Corporation Limited at a price of $4.50 per share for a total consideration of $28,292,310. The Plan will also provide that the maturity date of the $6,359,358, 6⅝%, convertible promissory note of Campeau held by the Company will be extended eight years to December 31, 1982, and the conversion privilege attaching to the note will be varied to provide for conversion of the principal amount of the note at the option only of the holder at any time into common shares at a rate of $4.50 per share, rather than conversion at maturity only at $8.50 per share at the option of Campeau or the holder, as presently provided.

Upon approval of the Plan, the Company will surrender to Campeau and Campeau will purchase for cancellation the Company's additional holding of 1,000,000 Class "B" preference shares at the par value of $0.20 each. The warrants now attached to such preference shares will be cancelled.

The Plan requires approval of the shareholders of Campeau, and of any necessary regulatory authorities as well as that of a judge of the Supreme Court of Ontario.

Our agreement with Campeau is conditional upon these approvals being obtained and the transaction completed not later than June 30, 1972.

On May 1, 1972, the Company plans to move its Head Office to 759 Victoria Square, Montreal, where the Head Office of Canada Steamship Lines, Limited, is located.

The Directors are pleased to acknowledge their appreciation of the services rendered by the Officers and Staff during the year.

Paul Desmarais

Chairman and Chief Executive Officer

Jean Parisien

President

Montreal, April 10, 1972

The Shareholders,
Power Corporation of Canada, Limited

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1971 and the statements of consolidated earnings, of consolidated retained earnings and of source and use of funds for the year then ended. For Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have relied for purposes of these statements on the reports of the other auditors.

In our opinion, based upon our examination and the reports of the other auditors referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co

Chartered Accountants

Montreal, March 20, 1972

Consolidated Balance Sheet

as at December 31	**1971**	1970
Assets		
Investments		
Subsidiary companies – (note 1)	$268,057,841	$201,413,879
Quoted securities – at cost (market value – 1971, $21,867,656; 1970, $34,554,893)	85,113,415	86,536,235
Unquoted securities – (note 2)	27,440,168	32,988,291
	380,611,424	320,938,405
Advances to trustees of share option and stock purchase plans (note 3)	805,228	809,465
Short term notes and deposits – at cost which approximates market		2,106,050
Cash and receivables	1,300,904	2,931,422
	$382,717,556	$326,785,342
Liabilities		
Current		
Bank loans (secured)	$ 15,700,000	$ 18,100,000
Accounts payable	1,689,926	1,809,178
Secured income debentures	4,000,000	3,500,000
Debt maturing within one year (note 4)	750,000	4,500,000
	22,139,926	27,909,178
Long term debt (note 4)	75,856,000	20,899,000
Minority interest	3,500,000	3,500,000
Shareholders' Equity		
Capital stock – preferred (note 5)	84,047,360	84,047,360
Capital stock – common (note 5)	56,256,643	56,256,643
Retained earnings	140,917,627	134,173,161
	281,221,630	274,477,164
	$382,717,556	$326,785,342

On behalf of the Board of Directors
Paul Desmarais Jean Parisien

Notes to consolidated financial statements are an integral part of this statement.

Statement of Consolidated Retained Earnings

for the year ended December 31	**1971**	1970
Retained earnings beginning of year	$134,173,161	$118,366,152
Add:		
Consolidated earnings for the year	10,023,968	9,700,305
Increase in equity in subsidiary company in respect of prior years	520,350	
Net gain on disposal of investments	2,035,458	13,835,952
Contributed surplus being excess of amount received over par value of 6% participating preferred shares issued		146,475
Miscellaneous credits – net	39,263	101,772
	146,792,200	142,150,656
Deduct:		
Dividends on:		
Non-participating preferred shares (note 5)	4,013,004	4,016,448
Participating preferred shares	364,230	394,208
Common shares	508,803	3,040,339
	4,886,037	7,450,995
Decrease in equity in subsidiary companies arising from changes in retained earnings	836,110	(141,869)
Expenses of share purchase/exchange offer	152,426	668,369
	5,874,573	7,977,495
Retained earnings end of year	$140,917,627	$134,173,161

Notes to consolidated financial statements are an integral part of this statement.

Statement of Consolidated Earnings

for the year ended December 31		**1971**		1970
Income				
Subsidiary companies				
Share in earnings (note 1)	$ 11,997,430		$ 10,653,400	
Interest and preferred dividends	790,781		767,717	
Income from affiliated companies	140,134		358,106	
Income from other investments	783,760	$ 13,712,105	2,519,839	$ 14,299,062
Management and general expenses	1,329,563		1,761,812	
Less: Management fees received from subsidiary companies	403,569		276,869	
	925,994		1,484,943	
Debenture and other interest	2,762,143	3,688,137	3,113,814	4,598,757
Consolidated earnings for the year		$ 10,023,968		$ 9,700,305
Earnings per 6% participating preferred and common share		52.8¢		53.5¢

Notes to consolidated financial statements are an integral part of this statement.

Statement of Source and Use of Funds

for the year ended December 31	**1971**	1970
Source of Funds:		
Consolidated earnings for the year	$ 10,023,968	$ 9,700,305
Earnings not received in cash	7,343,170	6,303,987
	2,680,798	3,396,318
Proceeds from sales of securities	9,501,169	44,190,877
Increase in long-term debt	60,000,000	2,542,000
	$ 72,181,967	$ 50,129,195
Use of Funds:		
Dividends paid	$ 4,886,037	$ 7,450,995
Securities purchased	60,111,321	41,785,645
Decrease in long-term debt	5,043,000	
Cost of 4¾% preferred shares acquired for cancellation		182,831
Miscellaneous debits	108,925	439,889
Decrease in working capital	2,032,684	269,835
	$ 72,181,967	$ 50,129,195

Notes to consolidated financial statements are an integral part of this statement.

Investments

as at December 31, 1971

	Class	% of outstanding	Cost (a)	Cumulative share of retained earnings (a)	Book value (a)	Share of equity (a)
Subsidiary companies (b)						
Common shares						
Campeau Corporation Limited		48.5	$ 30,549	$ 2,509	$ 33,058	$ 33,072
Canada Steamship Lines, Limited		99.1	105,599	8,826	114,425	94,911
Dominion Glass Company Limited		63.0	21,364	2,000	23,364	20,155
Laurentide Financial Corporation Ltd.		53.3	19,451	3,931	23,382	17,206
Liverpool Plains Pastoral Company Pty. Limited		91.6	215	186	401	397
The Imperial Life Assurance Company of Canada		51.2	17,424	1,430	18,854	6,522
The Investors Group		50.2	40,668	840	41,508	23,819
Preferred shares and notes			13,066		13,066	13,066
			$248,336	$ 19,722	$268,058	$209,148
Portfolio						
Quoted securities	*Class*					
Argus Corporation Limited	common	10.4	$ 3,634		$ 3,634	$ 2,372
Consolidated-Bathurst Limited	common	36.5	79,402		79,402	36,878
	preferred	4.8	1,087		1,087	1,087
	debenture		990		990	990
			$ 85,113		$ 85,113	$ 41,327
Unquoted securities						
Gesca Ltée	income debenture and accrued income		$ 19,755		$ 19,755	
Télémédia (Québec) Limitée	debentures and accrued interest		7,685		7,685	
			$ 27,440		$ 27,440	

(a) 000's omitted.
(b) The quoted market value has not been shown as it does not necessarily reflect the value of the Company's holdings in shares of subsidiary companies.

Notes to Consolidated Financial Statements

Note 1. Principles of consolidation and presentation

The consolidated financial statements comprise the accounts of Power Corporation of Canada, Limited and its wholly-owned investment subsidiaries and the share of the earnings and other changes in the retained earnings accounts of its other subsidiary companies for the period of control by the Company.

The consolidated balance sheet of Canada Steamship Lines, Limited, of which the Company owned 99.1% of the common shares as at December 31, 1971, has not been consolidated with that of Power Corporation of Canada, Limited and its wholly-owned investment subsidiaries since only 50.4% of the common stock was owned for a substantial portion of the year.

The investment in subsidiary companies is made up as follows:

	1971	1970
Securities—at cost	$248,335,531	$188,278,811
Increase in equity from date of acquisition of control to beginning of year	13,135,068	9,754,434
Changes during the year:		
Equity in subsidiaries sold		(3,065,222)
Increase in equity in subsidiary company in respect of prior years	520,350	
Share of earnings	11,997,430	10,653,400
Increase (decrease) arising from changes in retained earnings	(836,110)	141,869
Dividends received	(5,094,428)	(4,349,413)
	19,722,310	13,135,068
	$268,057,841	$201,413,879

The Company's share of earnings and voting interest is as follows:

	share of earnings	voting interest
Campeau Corporation Limited	48.5%	52.2%
Canada Steamship Lines, Limited	99.1%	81.1%
Dominion Glass Company Limited	63.0%	56.7%
Laurentide Financial Corporation Ltd.	53.3%	53.3%
Liverpool Plains Pastoral Company Pty. Limited	91.6%	91.6%
The Imperial Life Assurance Company of Canada	51.2%	51.2%
The Investors Group	27.9%	50.2%

Note 2. Unquoted securities:

	1971	1970
Télémédia (Québec) Limitée 6% general mortgage bonds due December 31, 1976-1981, at cost and accrued interest	$ 7,685,000	$ 7,250,000
Gesca Ltée. (an affiliate) Income debenture maturing December 1, 2020, at cost and accrued income	19,755,168	19,750,000
Gesca Ltée. (an affiliate) 8% debenture maturing March 31, 1975-1978		3,500,000
Warnock Hersey International Limited (a shareholder) 6% note due December 31, 1974, payable by instalments		2,488,291
	$ 27,440,168	$ 32,988,291

Note 3. Share Option and Stock Purchase Plans

At January 1, 1971 there were options outstanding for the purchase of 4,500 common shares which lapsed during 1971.

On March 20, 1967, the Company created a Stock Purchase Plan for the benefit of designated officers and employees. Such officers and employees purchased at that time 71,000 shares at $10 per share which the Trustees of the Plan purchased with funds provided by the Company.

The Directors of the Company, by resolution, authorized the Trustees of the share option and stock purchase plans to defer the payments due in 1970 and 1971.

The Directors of the Company, on December 6, 1971, by resolution, have granted options to certain officers and a Director of the Company to acquire 200,000 common shares of the Company exercisable from time to time prior to December 31, 1981. These shares may be acquired at the closing market price on the date of the grant, less 10%, equivalent to $4.62 per share.

Note 4. Long term debt:

	1971	1970
Power Corporation of Canada, Limited		
Term Bank Loan—Secured repayable $5,000,000. per annum commencing December 1, 1973, and $30,000,000. on December 1, 1979, bearing interest at the prime bank rate, plus 1¼%	$ 60,000,000	
5½% Debentures maturing March 1, 1977	4,446,000	$ 4,489,000
Trans-Canada Corporation Fund		
9¾% Note due August 18, 1971		3,500,000
7% Note due November 1, 1978, repayable $225,000 semi-annually	3,100,000	3,550,000
6% Note due April 15, 1978, repayable $250,000 per year		4,500,000
6½% Redeemable Secured Debentures maturing June 1, 1980, repayable $300,000 per year	9,060,000	9,360,000
	76,606,000	25,399,000
Less: Debt maturing within one year	750,000	4,500,000
	$ 75,856,000	$ 20,899,000

Note 5. Capital Stock:

	1971	1970
First preferred shares of $50 par value issuable in series:		
Authorized— 1,966,710 shares		
Issued — 566,710 shares 4¾% cumulative redeemable 1965 series (i)	$ 28,335,500	$ 28,335,500
Second preferred shares of $12 par value issuable in series:		
Authorized—10,000,000 shares		
Issued — 4,136,780 shares 5% cumulative redeemable convertible series "A" (ii)	49,641,360	49,641,360
Six per cent non-cumulative participating preferred shares of $5 par value:		
Authorized— 1,592,760 shares		
Issued — 1,214,100 shares (iii)	6,070,500	6,070,500
	$ 84,047,360	$ 84,047,360
Common shares of no par value:		
Authorized—30,000,000 shares		
Issued —10,176,053 shares	$ 56,256,643	$ 56,256,643

(i) redeemable on or before July 15, 1973, at $51.625, thereafter on or before July 15, 1977, at $51.00; thereafter at $50.50 and in each case accrued and unpaid dividends.

(ii) redeemable after May 31, 1973, at $12 plus accrued and unpaid dividends; convertible on or before May 31, 1978.

(iii) 1,134,990 of the issued participating preferred shares have non-detachable warrants attached entitling the holder to subscribe for one additional participating preferred share in respect of each three such shares presently held at a subscription price of $12.50 per share up to May 31, 1973, and $15 per share from that date up to May 31, 1978.
378,330 participating preferred shares are reserved for the exercise of the non-detachable warrants attached to the participating preferred shares.

Dividends paid on non-participating preferred shares were as follows:

	1971	1970
4¾% first preferred shares 1965 series	$ 1,345,936	$ 1,349,380
5% second preferred shares Series "A"	2,482,068	2,482,068
Preferred shares of subsidiary	185,000	185,000
	$ 4,013,004	$ 4,016,448

Note 6. Remuneration of Directors and Officers

The remuneration received by Directors and Officers during the year ended December 31, 1971 was as follows:

	as Directors		as Officers	
	number	amount	number	amount
From:				
Power Corporation of Canada, Limited	16	$59,700	9*	$390,334
From subsidiaries:				
Campeau Corporation Limited	5	8,800	1	53,150
Canadian Interurban Properties Limited	5	7,200		
Blue Bonnets Raceway Inc.	3	1,400		
Canada Steamship Lines, Limited	6	15,262		
Dominion Glass Company Limited	5	17,200		
Laurentide Financial Corporation Ltd.	6	18,000		
Union Acceptance Corporation Limited	4	10,950		
Elite Insurance Company	3	1,200		
The Imperial Life Assurance Company of Canada	2	6,800	1	5,000
The Investors Group	4	8,815	1	50,000
The Great-West Life Assurance Company	2	15,600		

*4 Officers are also Directors of the Company

Note 7. Events subsequent to December 31, 1971

Campeau Corporation Limited, a subsidiary company, proposes to undertake a Plan of Arrangement pursuant to Section 193 of The Business Corporations Act (Ontario) under which the Company will surrender its holding of 6,287,180 common shares of Campeau Corporation Limited at a price of $4.50 per share for a total consideration of $28,292,310.

The Plan also provides that Campeau Corporation Limited will purchase and cancel the Company's holding of 1,000,000 Class "B" voting preference shares (and attached warrants) at the par value of 20 cents per share, and extend the maturity date of the company's $6,359,358, 6⅝%, convertible promissory note to December 31, 1982. The conversion privilege attaching to the note will be varied to provide for conversion of the principal amount thereof at the option of the holder at any time into common shares at a rate of $4.50 per share.

The Company's agreement to the proposed corporate reorganization is conditional upon the obtaining of the approval of the shareholders of Campeau Corporation Limited and of any necessary regulatory authorities as well as that of a Judge of the Supreme Court of Ontario on or before June 30, 1972.

Upon completion of the transaction, the Company will apply the proceeds to the reduction of bank loans.